

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 03162 161840Z

64

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 SEC-03 CIEP-02 SP-03

AID-20 NSC-07 RSC-01 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DRC-01 /143 W
----- 046809

R 161742Z MAY 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 823

INFO AMEMBASSY LUXEMBOURG

AMCONSUL ANTWERP

LIMITED OFFICIAL USE BRUSSELS 3162

E.O. 11652: NA

TAGS: EFIN,BE

SUBJECT: BELGIAN REGULATION OF FOREIGN BROKERS AND
UNDERWRITERS

REF: STATE 79749

1. THE EMBASSY HAS POUCHED TO EUR/WE (MANGER) ONE SET OF
THE FOUR ROYAL DECREES WHICH COMPRISE THE BELGIAN LAWS AND
REGULATIONS GOVERNING STOCKBROKERS AND UNDERWRITERS IN
BELGIUM.

2. AMERICAN STOCKBROKERS IN BELGIUM. BELGIAN LAW PROVIDES
THAT ONLY PHYSICAL PERSONS OF BELGIAN NATIONALITY MAY
BE REGISTERED BY THE EXCHANGES AS STOCKBROKERS. FURTHER-
MORE, ONLY REGISTERED STOCKBROKERS MAY BUY OR SELL SHARES
(BELGIAN OR FOREIGN) IN BELGIUM. BELGIAN BANKS (INCLUDING
THOSE OWNED BY AMERICANS) MAY ACCEPT ORDERS FOR STOCKS
BUT THESE ORDERS MUST BE PASSED TO BROKERS FOR EXECUTION.
NO OTHER BELGIAN INDIVIDUAL OR ENTITY MAY EVEN ACCEPT
ORDERS FOR TRANSMISSION TO A BROKER. IN SUMMARY,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 03162 161840Z

THEREFORE, NO AMERICAN OR OTHER FOREIGNER (INDIVIDUALLY

OR AS A FIRM) CAN LEGALLY ENGAGE IN STOCKBROKING ACTIVITIES IN BELGIUM. REALITY IS SOMEWHAT DIFFERENT FROM THIS LEGAL SITUATION, HOWEVER, AS IS SHOWN BY THE FACT THAT AT LEAST SEVEN AMERICAN STOCKBROKERS OPERATE OFFICE IN BRUSSELS (E.G., MERRILL LYNCH, E.W. HUTTON, ETC.). THEIR PLACE IN THE FINANCIAL COMMUNITY IS "TOLERATED" BY THE BELGIAN REGULATORY AUTHORITY (THE BANKING COMMISSION) IN RECOGNITION OF THE NEEDS OF CERTAIN MEMBERS OF THE COMMUNITY.

3. ACCORDING TO THE COMMISSION, AMERICAN BROKERS IN BELGIUM ARE ALLOWED TO ACCEPT ORDERS, FOR EXECUTION IN THE UNITED STATES, FROM BELGIAN BROKERS, FROM BELGIAN BANKS AND FROM AMERICAN TEMPORARILY RESIDENT IN BELGIUM.

4. AMERICAN BROKERS TELL US THAT, IN REALITY, THEY ALSO DO BUSINESS WITH THIRD-COUNTRY NATIONALS (SOMETIMES TEMPORARILY RESIDENT IN BELGIUM, SOMETIMES NOT) AND WITH A FEW BELGIANS RESIDENT ABROAD.

5. COMPLAINTS BY AMERICAN BROKERS IN BELGIUM. AMERICAN BROKERS IN BRUSSELS AGREE THAT THE ONLY CURRENT THREAT TO THEIR BUSINESS COMES FROM THE FACT THAT SEVERAL BELGIAN BANKS HAVE POOLED THEIR RESOURCES WITH OTHER EUROPEAN BANKS AND HAVE BROUGHT AMERICAN FIRMS WHICH HOLD SEATS ON THE BOSTON AND/OR PACIFIC EXCHANGES. ORDERS FROM THESE BANKS ARE CHanneled THROUGH THESE FIRMS IN THE UNITED STATES AND AMERICAN BROKERS ESTABLISHED IN BRUSSELS CANNOT COMPETE FOR THE BUSINESS.

6. IN ADDITION, THE AMERICAN BROKERS IN BRUSSELS REPORT THAT OCCASIONALLY THEY HAVE DIFFICULTY OBTAINING PERMITS FOR THEIR AMERICAN EMPLOYEES. FURTHER RESEARCH INTO THIS QUESTION BY THE EMBASSY SUGGESTS, HOWEVER, THAT ALL APPLICANTS HAVE EVENTUALLY OBTAINED THE NECESSARY PERMIT AND THAT BUREAUCRATIC RED TAPE WAS THE ORIGIN OF THE DELAYS.

7. COMMENT: IT IS, IN FACT, POSSIBLE FOR AMERICAN BROKERS TO CUT A WIDER SWATH THAN THEY NOW DO. FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 03162 161840Z

EXAMPLE, ONE AMERICAN BROKER HAS INCORPORATED IN BELGIUM (NOMINALLY AS A SERVICE COMPANY WITH ALL ORDERS GOING DIRECTLY TO NEW YORK). THIS BROKER NOW PLANS TO JOIN THE LUXEMBOURG STOCK EXCHANGE AND EVENTUALLY TO PUT A TRADER ON THE FLOOR OF THAT EXCHANGE. THE BANKING COMMISSION HAS BEEN INFORMED OF THESE STEPS AND HAS NO OBJECTION.

8. FURTHERMORE, BELGIAN BANKS, IN FACT, PARTICIPATE IN THE BRUSSELS EXCHANGE THROUGH THE DEVICE OF BEING THE EXCLUSIVE FINANCIAL BACKER TO A REGISTERED BROKER AND THEN FUNNELING ALL BUSINESS THROUGH HIM. IN EFFECT, IF NOT LEGALLY, THE BROKER BECOMES A SUBSIDAIRY OF THE BANK. AN AMERICAN BROKER COULD, PRESUMABLY, DO THIS TOO. NONE HAS YET CHOSEN TO DO SO, WE ARE TOLD, BECAUSE THE BUSINESS POTENTIAL IN BELGIUM IS SMALL.
STRAUSZ-HUPE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, ECONOMIC CONTROLS, INVESTMENT CONTROLS, SECURITIES MARKETS, FINANCIAL MARKETS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRUSSE03162
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740121-0939
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740544/aaaabmii.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 79749
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by cunninfx>; APPROVED <12 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BELGIAN REGULATION OF FOREIGN BROKERS AND UNDERWRITERS
TAGS: EFIN, BE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005